

Developer's Suggestions

TO: Zoning Committee and Councilmembers of Honolulu City

Topic: Opinions and suggestions about some contents in the Zoning committee meeting on May 4, 2017

(TOD) Community Projects:

HAWAII CITY PLAZA

HAWAII OCEAN PLAZA

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Dear Councilmen of Government of Honolulu City,

It has been almost two years from our company's communication with the planning department about our two (TOD) regional projects in ALA MOANA Community to the official submission thereof, and the progress for the official approval of the projects is always very slow. Therefore, our company took the initiative to communicate with city agencies personally in the last week before today's meeting, and we proposed to donate USD 2 million to the Light Rail Project in Honolulu so as the extra community benefit, in return we will not work with union, because the workers from union cost ranges from USD 70 to USD 80 an hour, 200% higher than the market price USD 33 an hour. We, as a private enterprise making investment in the two projects rather than Light Rail Project in Honolulu, we don't have any responsible must work with union. so take the opportunity of today's meeting to state we will not cooperate with the union in the projects. Maybe you think this is not the topic of today's meeting, in fact, the problem about trade union directly links with today's meeting.

As some people directly or indirectly suggest us to cooperate with the union due to their kindness, but we have been always suspicious of the union of Hawaii:

1, Is the Government of Hawaii and Honolulu City supported by the union or by Hawaii Residences?

2, Is the Government of Honolulu City controlled by union or by Hawaii Residences?

The union will take many measures against our projects or suggest the government to improve the conditions for development, including the benefits to be offered to the community if we refuse to cooperate with it.

We have agreed to the city councilmember's suggestions that 25 units(15%) of HAWAII CITY PLAZA can only be affordable rental units to the community for thirty years in their office two months ago, but we were required to offer more benefits to the community in today's meeting, in which we totally have a voice as we are applying for the two projects to TOD now.

Our attitudes towards improvement of conditions for selling or leasing property at a low price in today's meeting:

We basically support the suggestions in today's meeting for providing more benefits to the community.

We hope the proposal should not affect the approval of Entitlement (condition use permit) of our projects.

The Government of Honolulu City is suggested to indicate in the approval of Entitlement (cup) planning conditions that the sale or lease of 20% to 30% of property at affordable rental or sale to the community, with the specific standard subject to the decision made by the Government of Honolulu City.

MISC. COM. 2516

We suggest the affordable rental area should be calculated according to the following formula:

Infeasible calculation method:

30% of the built-up area is unavailable.

For example,

The built-up area of HAWAII CITY PLAZA with plot ratio as 5 is 200,000 square feet.

The increased built-up area is 84,000 square feet according to the plot ratio of 1.5 increased for TOD project.

The occupancy area of HAWAII CITY PLAZA with plot ratio as 5 is 140,000 square feet.

The increased occupancy area is 58,800 square feet according to the plot ratio of 1.5 increased for TOD project.

30% of the occupancy area is unavailable.

As the built-up area of 200,000 square feet is actually increased by 42% according to the increased plot ratio of 1.5

Built-up area of 200,000 square feet * 42% = 84,000 square feet.

If 30% of the built-up area (200,000 square feet * 30% = 60,000 square feet) is required to be offered to the community as benefits,

Then the developer can only sell the increased built-up area of 24,000 square feet (84,000 square feet - 60,000 square feet) at a market price.

However, 30% of the property is basically sold at a price of USD 300,000, lower than the cost.

Therefore, we think no developer will agree to sell or lease the property with an area representing 30% of the built-up area or occupancy area of the project to the community as most of the actual increased area of the project is offered to the community.

Feasible calculation method:

30% affordable housing should be based on exceeding area under TOD regulation rather than the total construction area. For example, Hawaii City Plaza Project, allowable density per LUO is 3.5 FAR, so we shall have 115 units. Now, actual density with TOD is 5.0 FAR (163 units). Therefore, we have 48 extra units. Thus 30% should be calculated based on those extra units, which means 30% of 48 units, should be 15 affordable rental units.

1.5 FAR * lot area 39,520 square feet = 59,280

(LUO DENSITY) 3.5 FAR * (lot area) 39,520 square feet = 138,320 Square Feet 113 units

(TOD DENSITY) 5.0 FAR * (lot area) 39,520 square feet = 197,600 Square Feet 163 units

(EXTRA DENSITY FROM TOD) 5.0 FAR - 3.5 FAR = 1.5 FAR

extra square feet from TOD density: 1.5 FAR * (lot area) 39,520 = 59,280 square feet

extra units from TOD density: 48 units

48 units * 30% = 15 affordable units

30% of the increased occupancy area of property (increased plot ratio / the plot ratio of the (TOD) project * the occupancy area of the property) must be provided to the community as benefits, no matter whether the property is sold or leased at a low price.

30% of the area of the property provided by the developer will not make a profit or will suffer a loss, so the developer should increase the profit from project development with 70% of the increased (TOD) area.

Finally, we make the following suggestions to the Government of Honolulu City as an investor:

Hope the Government of Honolulu City can show an open and active attitude to support the investor and accelerate the project approval and improve work efficiency.

We consider the investment environment of Honolulu City is very bad and required to be changed as soon as possible.

It is a very dangerous plan for the Government of Hawaii to increase the original rate of urban maintenance and construction tax of 9.2 to 12 in the hotel industry as it will affect the tourism industry and hotel operators in Hawaii, for which there will be less tourists travelling to Hawaii in the future, although we have known it is for raising funds for the Light Rail Project in Honolulu.

Through calculation, we have found the total investment in the Light Rail Project in Honolulu should range USD 3 billion to USD 4 billion only, and it should be completed upon five years. So why does the Light Rail Project in Honolulu need more funds and why you don't know when the Light Rail Project in Honolulu will be completed?

As its contractor is trade union, to which the price is 200% higher than the normal market price. We are willing to complete the Light Rail Project at a price representing 50% of the construction engineering price of the trade union and have it access to ALA MOANA within three years in the future if anyone thinks our calculation is wrong. Moreover, our company will be responsible for the control over the cost of construction engineering of the Light Rail Project and the management of its schedule for free.

Therefore, we think the source of fund for the Light Rail Project can be solved through cancelling the contract in which the trade union works as the contractor, changing the contractor of the construction engineering, having the special department set up by the Government of Honolulu City purchase the building materials, having the contractor pay labor cost, and paying some management fees to the contractor as its profits.

The calculation method of construction engineering fund of a normal project:

Material cost + labor cost + construction tool cost = basic price

Total cost of construction engineering = basic price * 10% of the project management fee

We take this opportunity to make some suggestions (some people may think they are too many) as we usually have no chance to communicate with the Government of Honolulu City and its councilmen. Hawaii belongs to all the people of the United States rather than any organization, institution, individual or group. As a US enterprise, US citizen and Hawaiian company, we like and love Hawaii, we can promote the economic development of Hawaii and create more jobs for Hawaii through investment in Hawaii, and we hope Honolulu and Hawaii will have a more bright future!

We hereby say sorry to any individual, institution and company if our suggestions affect their interests since we do so for the interests of people in Hawaii.